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Monthly Statistical Report

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APRIL 1989

SUMMARY

After relatively slow growth in deliveries for the first quarter, April's larger, 2.6 percent increase would at first seem to correlate well with estimated consumption growth. However, the comparison is against below-trend deliveries a year ago and, adjusted for this, April's year-to-year deliveries increase would have been nearly flat.

Nevertheless, for the first quarter, new data for February have lessened the apparent discrepancy between deliveries and estimated consumption. The first quarter's estimated deliveries increase published here last month had been depressed by the surprisingly low January deliveries reported by the Department of Energy (DOE). DOE's recently-released February data partially reversed the effect, with the first quarter increase now calculated at a somewhat higher 0.7 percent. This compares with an expected deliveries increase for the quarter of at least 1 percent. The latter is based on underlying consumption growth of about 2.5 percent, adjusted for unusually warm weather in January and for deviations from trend in the year-ago period.

Contributing to April's deliveries increase were continued growth for residual fuel oil, combined with gasoline deliveries which, once holiday effects are considered, were also reasonably strong. Deliveries of "other oils" also increased, though much of the increase was due to below-trend deliveries a year ago. Kerosine jet fuel deliveries, however, declined, and distillates rose year-to-year only because of below-trend deliveries last April.

Even though deliveries have been below apparent consumption trends, imports have continued to grow. Imports for the year to date, at 7.8 million B/D, have risen 13.5 percent from one year earlier and are up more than 50 percent from three years ago. Rising deliveries and falling domestic production have accounted for roughly equal portions of the 2.7 million B/D rise in imports over this period.

For April alone, imports increased to 8.0 million B/D from 7.3 million B/D in March. As a result, imports exceeded domestic crude oil output for the second time this year, even though Alaskan production had partially recovered from March's depressed levels caused by temporary restrictions on tanker traffic. However, total domestic supply still exceeded imports because other domestic sources, principally petroleum liquids extracted from natural gas streams, have continued to provide a significant portion of domestic supply.

PRODUCT SUPPLIED [1]

Gasoline

STRONGER THAN AT FIRST APPARENT... Following several months of weakness, April's gasoline deliveries finally displayed some strength. Although the 0.5 percent increase for the month may not seem that extraordinary, the comparison is against a month last year when deliveries were boosted by increased driving over the Easter holiday. This year, April experienced no such effect because Easter occurred in March. If adjusted for the holiday effect last April, this April's increase would likely have amounted to about 2 percent.

February data from the Department of Energy have also raised the calculated first-quarter increase in deliveries to 0.8 percent from earlier estimates. Data from DOE for January had been significantly lower than API estimates, but the situation for February data turned out to be the reverse, compensating for a major portion of the January difference.

Although travel data have been variable so far this year, they still suggest underlying consumption growth stronger than what has been apparent for deliveries. February's 2.1 percent increase in travel, adjusted for fuel efficiency improvements, by itself might have suggested a significant slowdown in gasoline consumption when compared with last year's average 3.5 percent increase—but January's rise of over 6 percent implied just the opposite. Thus, there is little conclusive evidence that the trend in travel growth has changed much from last year's average.

In addition, the rate of improvement in fuel efficiency, if anything, has likely continued to slip. In fact, preliminary data for the most recent model year show a decline in average new-car fuel efficiency for both domestics and imports of about 1.5 percent. This contrasts with increases averaging 1.7 percent per year over the previous five years. Since new car efficiencies still exceed those of vehicles being scrapped, the average for all vehicles on the road continues to improve, but at a slower rate, perhaps 1.5 to 2 percent.

API ESTIMATES

	APRIL		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	16.9	2.6	17.4	1.1
Crude oil production[2]	7.8	(5.4)	7.8	(5.6)
Total imports[3]	8.0	15.2	7.8	13.5
Stocks (million bbl)[3]	1,030	—	na	na

Distillates

...BUT DISTILLATE WAS WEAKER. While gasoline deliveries in April were stronger than their year-to-year increase implied, distillate deliveries were weaker than their 2.8 percent rise might suggest. Last year, changes in tax collection procedures helped to shift purchases which normally would have occurred in April into March, putting year-ago April deliveries at roughly 200 thousand B/D below trend. If last April's deliveries had been more in line with the then-existing trend, this April's deliveries would have shown a decline of nearly 4 percent.

Combining April's results with weak deliveries for the first quarter, distillate deliveries for the year to date are calculated to be essentially flat, after adjusting for the unusually warm weather experienced in January. However, this is at significant variance with estimated consumption, which is estimated to be growing at a 2.5 to 3 percent rate. In addition to highway diesel usage, one of the mainstays of distillate growth in recent years, continued economic growth has helped to add to industrial and other usage. In the farm sector, with the planting season now in full swing in many regions, increases in acreage over last year suggest some increase in consumption is continuing in that sector as well.

Residual Fuel Oil

LARGE INCREASES CONTINUE. Deliveries of residual fuel oil are estimated to have been 1,447 thousand B/D in April, representing a decline of 5.9 percent from March but an increase of 13.8 percent from a year ago. The month-to-month decline, however, is consistent with seasonal patterns. Much of the year-to-year increase represents apparent continued robustness which has characterized heavy fuel oil markets during the last several months.

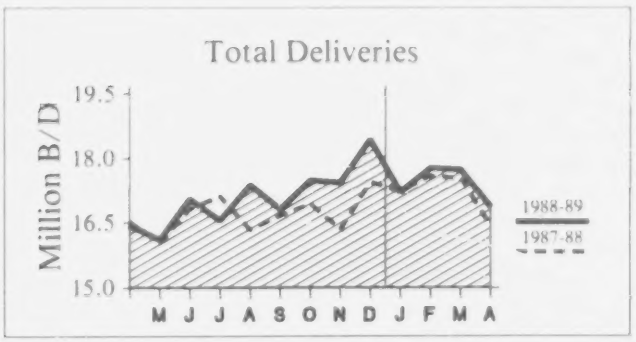
The industrial sector is believed to have accounted for much of the year-to year strength in heavy fuel oil markets. Although month-to-month delivery patterns are often erratic, this month's strength is not inconsistent with the upward trend observed in industrial heavy oil markets during the last two years.

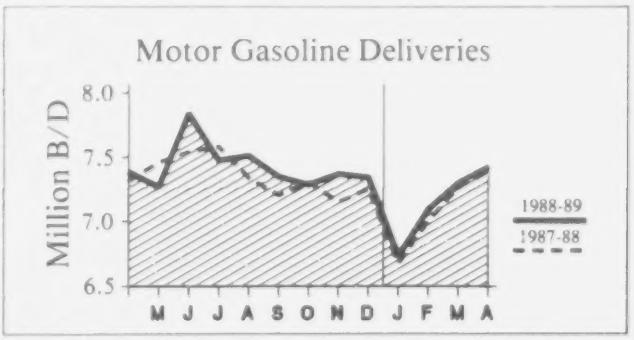
Deliveries to electric utilities, after adjustment for seasonal factors, have also remained strong, contributing to the year-to-year increase. A number of utilities are reported to have increased their purchases of heavy fuel oil to ensure availability of supplies. It should be noted, however, that the electric utility sector has also experienced an upward trend of deliveries over the past two years as a result of increased electricity demand and declining availability of hydroelectric power.

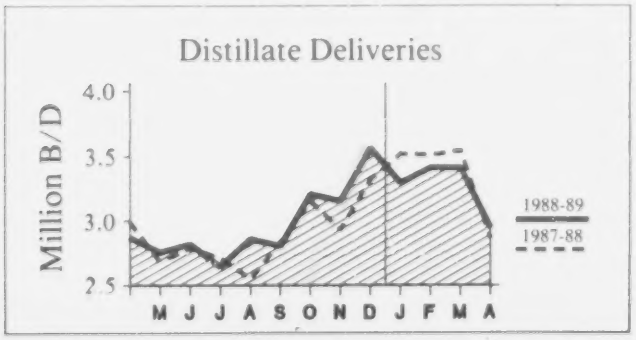
Partly offsetting the current strength in the industrial and electric utility sectors is apparent weakness in deliveries to bunker fuel markets. This development runs counter to the upward trend observed in bunker fuel deliveries during the past two years. Activity was believed to be sluggish in most regions of the country. The East Coast was reported to be particularly slow for most of the month. On the Gulf Coast, activity was also restrained during much of the month as several buyers were evidently displaying ambivalence in the face of increasing prices. Activity in that region, however, was reported to have picked up in the latter half of the month as buyers gradually increased their purchases.

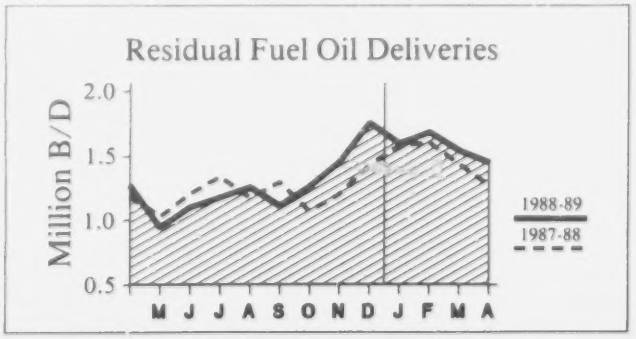
Kerosine Jet Fuel

GROWTH IN TRAFFIC SLOWS. Kerosine jet fuel deliveries declined 5.9 percent in April, following a first quarter whose deliveries are currently estimated to have been flat. This contrasts with deliveries growth which averaged about 3.5 percent in the second half of last year.









Growth in miles flown for the first quarter are also now estimated at only about 1 percent, with domestic passenger travel in particular down an estimated 2 percent for the quarter, a result of strike activity coupled with higher fares. After several years of flat or declining fares, adjusted for inflation, travel costs more recently have risen. Average revenue per passenger mile rose about 7 percent in 1988, and, with adjustments in discount programs, has reportedly continued to increase so far this year.

Other Oils

DELIVERIES UP FROM BELOW-TREND LEVEL LAST APRIL.

Deliveries of other oils for April were estimated to have been 3,913 thousand B/D, representing a decline of 8.4 percent from March, but an increase of 6.0 percent from April 1988. The month-to-month decline is somewhat greater than the seasonal norm. The year-to-year increase was more the result of unusual weakness in other oils' deliveries during the previous year than of strength this year.

Despite the overall decline in other oils deliveries, petrochemical feedstock deliveries appear to have maintained their apparent strength, buoyed by high industrial activity. LPGs as a whole are reported to have given some ground to the heavier feedstocks. Butane, however, is believed to be gaining wider acceptance as a feedstock.

Increases in asphalt and road oil deliveries are believed to have been substantially below the historical average for the month as a result of unusually wet weather in many parts of the country.

SUPPLY [1/]

Production

CRUDE OIL CONTINUES ITS DECLINE.

Although Alaskan production had partially recovered from March's temporary drop, U.S. crude oil output in April was still down 444 thousand B/D or 5.4 percent from one year earlier. Alaskan production was down nearly 140 thousand B/D from a year ago and about 70 thousand B/D from February, before March's tanker accident led to shipping restrictions at Valdez. Lower 48 production fell 305 thousand B/D year to year.

Preliminary data for the past six months, on the surface, suggest a slowing of the decline rate for the lower 48. Although it is plausible that higher crude oil prices, which by April had risen roughly $7 per barrel since late last year, have been helping to slow the production decline, in fact, much of the apparent reduction in the rate of decline can be attributed to seasonal factors. We estimate that the seasonally-adjusted decline rate in lower 48 production has recently been running at 300 to 350 thousand B/D per year.

Other data do not suggest stabilization of upstream activity in recent months. First quarter oil completions are estimated to have been down substantially from a year ago and to have declined by more than two thirds since early 1986. Well servicing activity was also down, declining 9 percent in the first quarter versus one year earlier and by more than one fourth compared with three years ago.

In contrast to crude oil's decline in April, the production of natural gas liquids, which account for roughly one sixth of domestic petroleum output, rose slightly versus a year ago.

Imports

UP OVER 50 PERCENT IN THREE YEARS.

Imports rose to 8.0 million B/D in April, bringing the year-to-date average to 7.8 million B/D—13.5 percent or more than 900 thousand B/D higher than for one year earlier. In fact, over the past three years, imports for the January-April period have risen more than 50 percent or about 2.7 million B/D. This increase is attributable in roughly equal proportions to rising deliveries and declining domestic crude oil production.

Crude oil imports were up close to 700 thousand B/D in April, while products rose about 375 thousand B/D. Roughly half of the over 19 percent increase in product imports was accounted for by residual fuel oil; most of the rise in deliveries of this product so far this year has been met from imports rather than domestic refinery output.

Imports of gasoline and components rose 80 thousand B/D to 477 thousand B/D from last April, though part of the increase reflects below-average imports a year ago. Gasoline imports may have been tempered to some extent by the cost of foreign supplies which were higher relative to the domestic market than in the recent past. Imports of distillates continued strong in April, increasing more than 90 thousand B/D to 300 thousand B/D.

Refinery Operations

UP FROM MARCH, DOWN FROM LAST APRIL.

Input to distillation units, though up from the prior month's level, was still down 1.4 percent in April compared with relatively strong levels one year earlier. Utilization still averaged nearly 83 percent of operable crude oil distillation capacity. On the basis of capacity in actual operation, the utilization rate would be calculated at about 86.5 percent.

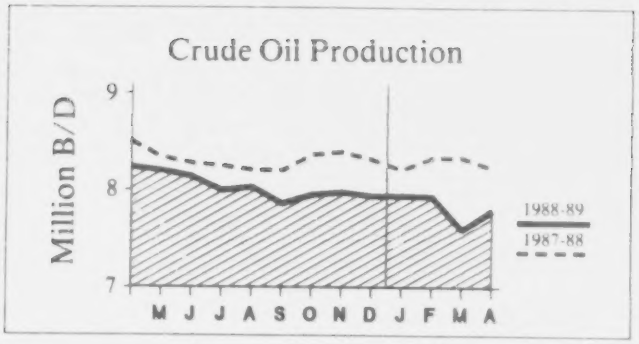
Production of most major products was down slightly from a year ago except for residual fuel oil, whose output rose marginally.

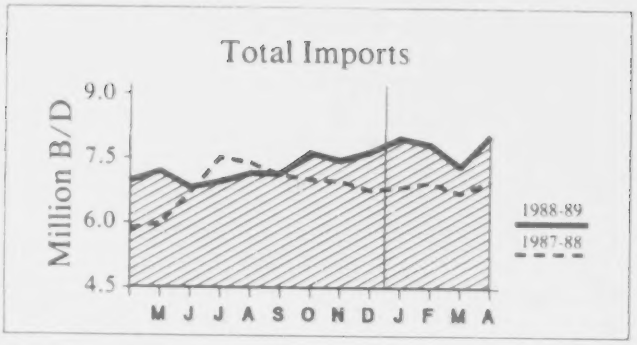
Inventories

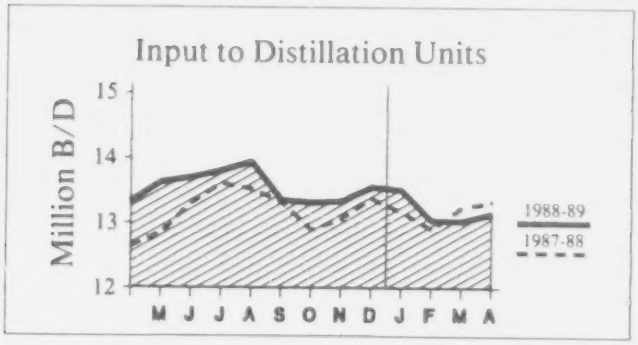
REBOUND IN CRUDE RAISES TOTAL INVENTORIES.

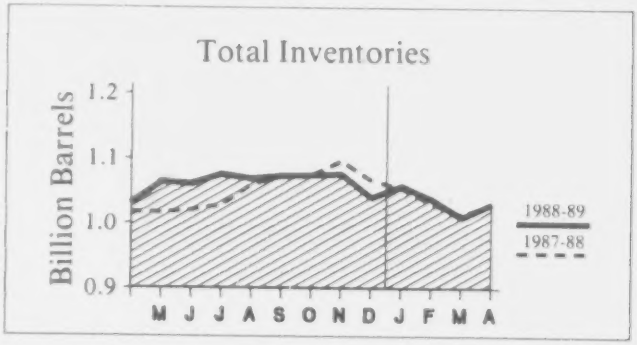
Total stocks rose 21 million barrels in April. Two thirds of the rise was attributable to an increase in crude oil stocks to 240 million barrels, the highest level since October. However, part of the rise for crude oil represents inventory replenishment; crude oil inventories had been lower than usual at the end of March, partly because of the temporary restrictions on shipments of Alaskan oil following the tanker accident near Valdez.

Gasoline stocks declined 8 million barrels to 223 million barrels, close to the average April level of the past several years. Distillate stocks, too, ended the month in a seasonally typical range, remaining near 96 million barrels over the month. Over the past five years, end-of-season distillate stocks have consistently been in the 94 to 100 million barrel range.









1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 567 million barrels as of April 30, 1989).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	APRIL			YEAR-TO-DATE		
	1989[1]	1988[2]	% Change	1989[3R]	1988[2]	% Change
Products Supplied:						
Total motor gasoline	7,423	7,384	0.5	7,135	7,082	0.7
Finished leaded motor gasoline*	903	1,438	(37.2)	963	1,394	(30.9)
Finished unleaded motor gasoline*	6,520	5,946	9.7	6,172	5,688	8.5
Naphtha-jet	197	221	(10.9)	199	206	(3.4)
Kerosine-jet	1,098	1,167	(5.9)	1,234	1,250	(1.3)
Distillate fuel oil	2,951	2,870	2.8	3,266	3,362	(2.9)
Residual fuel oil	1,447	1,272	13.8	1,564	1,471	6.3
All other oils[4]	3,913	3,693	6.0	4,187	4,044	3.5
Reclassified[5]	- 159	- 167	(4.8)	- 197	- 221	(10.9)
Total domestic products supplied	16,870	16,440	2.6	17,388	17,194	1.1
Exports	814	678	20.1	833	819	1.7
Total products supplied	17,684	17,118	3.3	18,221	18,013	1.2
Supply:						
Domestic production:						
Crude oil[6]	7,792	8,236	(5.4)	7,815	8,281	(5.6)
Natural gas liquids	1,629	1,609	1.2	1,641	1,600	2.6
Other supply[7]	920	869	5.9	897	971	(7.6)
Total domestic supply	10,341	10,714	(3.5)	10,353	10,852	(4.6)
Imports:						
Crude oil, total	5,735[10/]	5,049[10/]	13.6	5,326[10/]	4,752[10/]	12.1
Canadian	626	703	(11.0)	642	670	(4.2)
Other	5,109	4,346	17.6	4,684	4,082	14.7
Products, total	2,300	1,924	19.5	2,459	2,110	16.5
Residual fuel oil	635	465	36.6	768	650	18.2
Other	1,665	1,459	14.1	1,691	1,460	15.8
Total imports	8,035	6,973	15.2	7,785	6,862	13.5
Total supply	18,376	17,687	3.9	18,138	17,714	2.4
Stock change, all oils	+ 692	+ 569	XXXX	- 83	- 299	XXXX
Refinery Operations						
Input to crude oil distillation units	13,149	13,330	(1.4)	13,179	13,165	0.1
Operable capacity	15,907	15,861	0.3	15,801	15,887	(0.5)
Refinery utilization (%)[8]	82.7%	84.0%	(1.5)	83.4%	82.9%	0.6
Crude oil runs	13,029	13,167	(1.0)	13,007	12,985	0.2

Stocks (millions bbls.)	1989		1988[2]	% Change from ...	
	Apr. 30[9]	Mar. 31[9]	Apr. 30	Previous Month	Year Ago
Crude oil [10/]	339.7	325.5	357.1	4.4	(4.9)
Unfinished oils	111.1	110.4r/	102.8	0.6	8.1
Total motor gasoline**	223.1	231.2r/	226.0	(3.5)	(1.3)
Finished leaded motor gasoline*	29.4	32.7	47.2	(10.1)	(37.7)
Finished unleaded motor gasoline*	154.6	158.7r/	142.3	(2.6)	8.6
Naphtha-jet	6.1	5.9	6.7	3.4	(9.0)
Kerosine-jet	38.5	37.0	39.3	4.1	(2.0)
Distillate fuel oil	95.9	95.5	94.3	0.4	1.7
Residual fuel oil	40.9	41.1	43.2	(0.5)	(5.3)
All other oils	174.8	162.8r/	161.2	7.4	8.4
Total all oils	1,030.1	1,009.4r/	1,030.6	2.1	-

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-February, U.S. Department of Energy, March-April, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.